



DEPARTMENT of  
SAVINGS & MORTGAGE LENDING

Caroline C. Jones, Commissioner

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August 28, 2020

Chairman Jim Murphy  
House Committee on Pensions,  
Investments and Financial Services  
c/o Mr. Jason Briggs [Jason.briggs@house.texas.gov](mailto:Jason.briggs@house.texas.gov)  
CAP 4N.3  
P.O. Box 2910  
Austin, TX 78768

Re: Department of Savings and Mortgage Lending (SML) COVID-19 Report to the House  
Committee on Pensions, Investments, and Financial Services

Dear Chairman Murphy:

In response to the Committee's request for a submission relating to the effects of COVID-19, we  
are providing a written report and three attachments with detailed information.

We stand ready to answer any questions the Committee has for SML.

Respectfully,

A handwritten signature in blue ink that reads "Caroline C. Jones".

Caroline C. Jones  
Commissioner  
Department of Savings and Mortgage Lending



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## REPORT ON EFFECTS OF COVID-19

### EFFECTS OF COVID-19 ON INDUSTRY OR BUSINESS OPERATIONS

#### Thrift Industry – State Savings Banks

As of June 30, 2020, the thrift industry is comprised of 24 savings banks with total assets of \$340.2 billion.

Due to COVID-19 all SML's examinations of state savings banks have been conducted fully off-site since March 13, 2020. All savings banks have requested that exams proceed, as scheduled, despite COVID-19. No major issues have been encountered due to off-site examinations.

During COVID-19, two large financial institutions, (LFI), Charles Schwab Bank and Charles Schwab Premier Bank, converted from federal savings associations to Texas savings banks and relocated their headquarters from Henderson, Nevada to Westlake, Texas. Those two banks added \$292.6 billion in assets to the Texas thrift industry. The Thrift division reviewed and approved the two conversion applications, created an LFI program, and began continuous monitoring of the institutions with the Federal Reserve Bank of San Francisco and the Federal Reserve Bank of Dallas. Four staff members have been hired for the LFI program. The hiring process, from applications and interviews to onboarding, is done remotely.

The Thrift division is utilizing multiple communication tools during COVID-19. The Commissioner and Deputy Commissioner held weekly calls with the state savings banks during the first months of COVID-19; email blasts are sent and resources are posted on the website; and all state savings banks are monitored off-site for additional needs. The Commissioner held meetings with all savings banks during FY2020, 19 of which were held remotely due to COVID-19. The Department has been in regular communication with the trade associations Texas Bankers Association (TBA) and Independent Bankers Association of Texas (IBAT). The Commissioner and Deputy Commissioner participate in bi-weekly calls with the Federal Deposit Insurance Corporation (FDIC) and Conference of State Banking Supervisors (CSBS).

Overall, the Texas state savings banks have responded well to the pandemic. Many savings banks have modified the manner in which they offer services to minimize the impact to customers. Modifications of services include, but are not limited to, limiting branch access to appointment only; adding online accessibility; contacting customers directly to discuss challenges; assisting customers with loan modifications, forbearances or deferrals; and participating in the Payment Protection Program and other government led efforts. Texas

state savings banks were active in the Payment Protection Program lending approximately \$1.6 billion.

SML's 13<sup>th</sup> Thrift Industry Day, which is held annually for all savings banks and other invited guests, has been transitioned to a virtual event scheduled for September 17, 2020.

#### Governor's Suspension of Statutory Requirements (See Attachment 1)

State savings banks are required to submit an independent audit to the Department of Savings and Mortgage Lending by no later than the 90th day after the date their fiscal year ends, and for many state savings banks that made March 31 their deadline under Texas Finance Code Chapter 96.051 and 7 Texas Administrative Code § 76.4. As a consequence of the COVID-19, state of disaster/emergency declarations SML recommended a suspension of the statute and rules. On March 27, 2020, in accordance with the Texas Government Code Section 418.016, the Office of the Governor suspended such statutes and regulations with the suspension remaining in effect until terminated by the Office of the Governor or until the disaster declaration from March 13, 2020, is lifted or expires. Savings banks whose fiscal year end is on June 30, 2020, may require additional time to satisfy this requirement, therefore, there remains a need for this suspension.

### **Mortgage Industry – Residential Mortgage Entities, Residential Mortgage Loan Originators, Residential Mortgage Servicers**

#### ***Licensing***

During COVID-19, SML has continued to see an increase in new license applications. As of July 30, 2020, SML has a licensee population of over 38,000. Detailed information on the licensing population in Texas as of July 30, 2020, shows that the numbers are higher than as of July 30, 2019. (See Attachment 2).

#### ***Mortgage Examinations***

During the first three quarters of fiscal year 2020 a total of 400 examinations were conducted covering 3,789 individual licensees.

All mortgage compliance examinations have been conducted offsite in response to COVID-19 since March 12, 2020. The process has worked well and SML's licensees have responded positively to the adjustment. SML has been flexible with its licensees to allow sufficient time to provide requested examination materials. Examinations are rescheduled, if the licensee provides an adequate, COVID-19 related reason, for the extension.

The Mortgage division utilizes multiple communication tools during COVID-19. Virtual presentations with agency updates and COVID-19 updates were made to North Texas Association of Mortgage Professionals; Texas Land Developers Association; and Texas Mortgage Bankers Association. Additional virtual presentations are scheduled for the fall. Email blasts are sent to the industry as deemed appropriate and resources are posted on the website.

### Governor's Suspension of Statutory Requirements (See Attachment 1)

Given COVID-19, the department understood that many licensed / registered individuals might need to do a substantial amount of work outside of their normal office environment. SML recommended the Governor suspend the requirements found in Texas Finance Code Sections 156.212(b), 156.2041(a)(4), 156.2042(a)(4), 157.003(b)(6), 7 Texas Administrative Code Section 80.206(a)(2) and (3), and 7 Texas Administrative Code Section 80.206(b) to allow licensed residential mortgage loan originators to work from home or another remote location, whether located in Texas or another state, even if the home or remote location was not a licensed branch. On March 19, 2020, in accordance with Texas Government Code Section 418.016, the Office of the Governor suspended such statutes and regulations with the suspension remaining in effect until terminated by the Office of the Governor or until the disaster declaration from March 13, 2020 is lifted or expires. SML considers such suspension to remain necessary.

### **Legal Division**

#### Governor's Suspension of Statutory Requirements (See Attachment 1)

In addition to the gubernatorial suspensions referenced under Thrift and Mortgage the following was also communicated to the regulated industries by the Department's Legal division.

On April 1, 2020 the joint financial regulatory agencies, including the Department of Savings and Mortgage Lending, working collaboratively, published Home Equity Lending Guidance: Coronavirus Emergency Measures. On April 22, 2020, the guidance was updated and republished. It reminds home equity lenders of the requirements under Texas Constitution Article XVI Section 50 and encourages lenders to work with borrowers during the pandemic. The guidance states in part that an existing home equity loan can be refinanced into another home equity loan without regard to the one-year seasoning requirement, if the homestead is located in any area declared a disaster by the Governor, if the homeowner requests a closing less than one year from the original closing because of the disaster. With regard to loan closings required to close at the office of a lender, attorney or title company, the guidance states such physical location can include a parking lot location for the purposes of social distancing.

In April 2020, the Governor temporarily suspended certain statutes to allow for an appearance before a notary public to occur by video conference to acknowledge mortgage related instruments. The Department shared this information (as well as subsequent extensions of this temporary suspension) with its regulated entities and individuals.

### **Consumer Complaints**

During the first three quarters of fiscal year 2020, SML received a total of 937 consumer complaints. This represents a 29% increase when compared to the same period in

fiscal year 2019. Loan servicing complaints account for 64% of the total number of complaints received.

The Department has been monitoring complaints associated with COVID -19 issues. There have been no complaints directly associated with the pandemic at this point. Incoming complaints continue to be monitored for trends associated with COVID-19.

SML has created a COVID-19 consumer webpage and has posted resources as appropriate and available.

### **Risk Management**

After closely monitoring the coronavirus outbreak development in January and February, on March 2, 2020, the Department's management team began its formal pandemic plan review and implementation activities, including:

- review of the Department's business continuity plan and pandemic guidance documents issued by federal and state financial and health agencies;
- participation in multiple conference calls led by state and federal agencies and other entities, as appropriate;
- evaluation of all business processes critical to the Department's mission, possible changes to those processes and the potential impact to the Department's stakeholders and staff;
- assessment of information technology resources availability and needs in preparation for implementing a teleworking program for Austin Office staff and transitioning to off-site activities for field staff;
- frequent communication with staff, including updates, reminders for taking precautions, additional health and safety resources.

By March 16, 2020, the Department had implemented a teleworking program for all staff, while staying in compliance with Government Code, Sec. 658.010. Additional equipment and information resources were procured and made available to staff in order to ensure business processes remain efficient and effective.

Currently, there is a limited presence in the Austin office of no more than 25% at any given time and all field staff continues to telework 100% of the time. Masks, hand sanitizer, and disinfecting wipes are provided for office staff and additional safety and cleaning protocols are in place in order to reduce exposure and possible contamination of the office space. Related safety and wellness information is provided to all staff on a regular basis.

The management team holds virtual meetings weekly and continues to maintain regular communication with staff and with relevant state and federal agencies.

The Department is following SML's COVID-19 Plan. (See Attachment 3).

## **EXISTING STATUTORY AND REGULATORY BARRIERS IN RESPONDING TO COVID-19**

Aside from the already suspended statutory requirements mentioned above, the Department does not consider there to be other existing statutory or regulatory barriers in responding to COVID-19.

Submitted by:

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